

Board Agenda Item
April 3, 2006

3:30 p.m.

Public Hearing for a Sewer Ordinance Amendment to Revise the Sewer Service Charges and the Availability Fees

ISSUE:

Board of Supervisors' adoption of a proposed sewer ordinance amendment is being requested to revise Sewer Service Charge and Availability Fee rates to be consistent with the Wastewater Management Program's revised five-year financial forecast (the Rate Study) for the Sewer System, prepared in cooperation with its consultant, Public Resources Management Group, Inc. (PRMG). The effects of these sewer rate revisions are as follows:

1. To establish the Sewer Service rates for FY 2006 through FY 2010.
2. To revise the previously adopted Sewer Service rates for FY 2007 through 2009 due to new Chesapeake Bay requirements.
3. To establish the Availability Fee rates for FY 2006 through FY 2010.
4. To maintain a five-year (FY 2006 - FY 2010) sewer rate schedule, outdated FY 2005 rates will be deleted, and new FY 2010 rates will be added.

Although the sewer rate schedule in the sewer ordinance is multi-year, all sewer rates are reviewed, adjusted as necessary, and adopted annually to ensure sewer rates are accurately priced.

The revised, five-year rate schedule for the Sewer Service Charge per 1,000 gallons, with previously adopted rates in parentheses, is as follows:

PROPOSED SEWER SERVICE CHARGE RATE SCHEDULE

<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
\$3.28	\$3.50 (\$3.45)	\$3.74 (\$3.62)	\$3.99 (\$3.80)	\$4.26

The FY 2007 through FY 2009 sewer service charge rates are being increased to cover debt and capital expenses anticipated for the construction of additional treatment facilities to meet more stringent nitrogen removal requirements imposed by the State as a result of "Chesapeake 2000" Agreement. Signatories to the Agreement besides the State of Virginia include the States of Maryland and Pennsylvania, the District of Columbia, the United States Environmental Protection Agency (USEPA), and the Chesapeake Bay Commission.

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The revised, five-year rate schedule for the Availability Fees for a single-family residence, with previously adopted rates in parentheses, is as follows:

PROPOSED AVAILABILITY FEE RATE SCHEDULE				
<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
\$5,874	\$6,138 (\$6,138)	\$6,506 (\$6,506)	\$6,896 (\$6,896)	\$7,310

RECOMMENDATION:

The County Executive recommends that the Board of Supervisors adopt the proposed sewer ordinance amendment as set forth in Attachment I.

TIMING:

Public Notices of the sewer rate revisions were advertised on March 2, 2006, and March 9, 2006, in the Washington Times (See Attachment II). The public hearing is scheduled for 3:30 p.m. on April 3, 2006. The decision on the sewer rate revisions will coincide with the markup and adoption of the FY 2007 Advertised Budget Plan. FY 2007 sewer rates will become effective on July 1, 2006.

BACKGROUND:

In January 2006, the Wastewater Management Program and PRMG completed the Rate Study, which indicated the existing rate increases were not adequate to maintain minimum fund balances (see the proposed notices for rate revisions). Minimum fund balances or "reserves" are maintained to comply with bond requirements and to fund major capital expenditures such as the addition of nitrification (ammonia nitrogen removal) facilities at wastewater treatment plants. It is anticipated that desired reserve levels can be maintained under the proposed ordinance amendment (Attachment I).

A forecasted, four-year rate schedule (FY 2007 - FY 2010) is recommended for the County's Sewer Service Charge (See Staff Report, Attachment III). The Sewer Service Charge is based on the volume of water used by a sewer customer and is billed quarterly to offset the operations, maintenance, debt, and capital costs allocated to "existing customers." A 2.5 percent annual rate increase was adopted for FY 2006. On average, 6.75 percent annual rate increases are being recommended for FY 2007 through FY 2010 to allow for inflation and the cost of constructing nitrogen removal facilities at wastewater treatment plants to comply with new discharge requirements imposed by the state and the Chesapeake Bay Program. These rate increases are consistent with this year's Rate Study recommendations.

The County's Sewer Service Charge remains very competitive on a local basis (See Attachment IV).

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Similarly, with regard to Availability Fees and commercial fixture unit rates, a four-year rate schedule is proposed. Availability Fees are one-time “tap fees” paid by sewer customers to connect to the system. The revenue from Availability Fees is used to offset the costs of expanding major treatment facilities. The FY 2006 and FY 2007 rates are being indexed 4.5 percent, and the FY 2008 through FY 2010 rates are being indexed 6.0 percent in anticipation of rising borrowing costs. Indexing recognizes the time value of money being used now to construct capacity for future customers.

FISCAL IMPACT:

In FY 2007, assuming a typical water usage per household of 76,000 gallons/year, the average homeowner’s sewer bill will be approximately \$266 per year, which is an increase of \$16.72 over the FY 2006 sewer bill. Because of the new nitrogen removal requirements, the annual cost impact of the FY 2008 to FY 2010 rate increases for a typical homeowner will be approximately an additional \$18 to \$21 a year as follows:

Fiscal Year	Service Charge (\$/1,000 gallons)	Annual Bill (\$)	Increase, \$ (% Increase)
2006	\$3.28	\$249.28	\$6.08 (2.5%)
2007	\$3.50 (Revised)	\$266.00	\$16.72 (6.75%)
2008	\$3.74 (Revised)	\$284.24	\$18.24 (6.75%)
2009	\$3.99 (Revised)	\$303.24	\$19.00 (6.75%)
2010	\$4.26 (New)	\$323.76	\$20.52 (6.75%)

The cost impact of the new Total Nitrogen (TN) removal requirements will begin in FY 2007. The cost impact of the additional nitrogen removal costs to a typical homeowner will be approximately \$41 per year by FY 2010.

Fiscal Year	Annual Bill, \$ (% Increase) w/o TN Cost Effects in rates	Annual Bill, \$ (% Increase) w/TN Cost Effects in rates	Increase, \$
2006	\$249 (2.5%)	\$249 (2.50%)	-
2007	\$258 (3.6%)	\$266 (6.75%)	\$8
2008	\$265 (2.7%)	\$284 (6.75%)	\$19
2009	\$273 (3.0%)	\$303 (6.75%)	\$30
2010	\$283 (3.5%)	\$324 (6.75%)	\$41

Approximately \$2.3 million in additional Availability Fee revenue will be generated annually with the 4.5 and 6.0 percent rate increases in availability fees. Revenues from the collection of Sewer Service Charges and Availability fees are

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recorded in Fund 400, Sewer Revenue Fund.

ENCLOSED DOCUMENTS:

Attachment I - The Proposed Amendment to Article 67.1-10 (Charges) of the Code of the County of Fairfax

Attachment II - Public Hearing Advertisements

Attachment III - Staff report prepared by the Department of Public Works and Environmental Services

Attachment IV – Table - Comparison of Area Water and Sewer Charges

(Copies of PRMG's "Five-year Financial Forecast" are available upon request)

STAFF:

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